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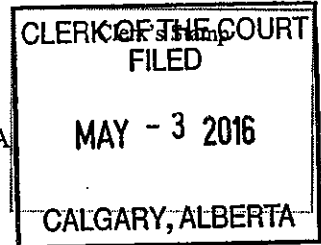
COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF BANK OF MONTREAL

DEFENDANT BUMPER DEVELOPMENT CORPORATION LTD. and
BUMPER DEVELOPMENT CORPORATION

DOCUMENT **FIRST REPORT OF THE RECEIVER**



ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
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DOCUMENT

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LISTING OF APPENDICES TO THE FIRST REPORT OF THE RECEIVER

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INTRODUCTION

1. Effective February 16, 2016 (the “Receivership Date”), pursuant to an order of the Honourable Justice B. Nixon granted in these proceedings (the “Receivership Order”), Alvarez & Marsal Canada Inc. (“A&M”) was appointed receiver (the “Receiver”), without security, of all of the current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “Property”) of Bumper Development Corporation Ltd. (“Bumper Canada”) and Bumper Development Corporation (“Bumper US” or the “Guarantor”) (collectively, “Bumper” or the “Company”) pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3, as amended., (the “BIA”) in the within action (the “Receivership Proceedings”).
2. The Receivership Order empowers and authorizes, but does not obligate, the Receiver to, among other things, manage, operate and carry on the business of Bumper and to take possession and control of the Property of Bumper and any and all proceeds, receipts and disbursements arising out of or from the Property, and to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business.
3. Prior to the Receivership Date, on June 4, 2015, A&M was engaged by Borden Ladner Gervais LLP (“BLG”) as counsel to the Bank of Montreal (“BMO”) under the Credit Agreement dated March 27, 2015, between BMO and Bumper and its subsidiaries, to act as consultant to BLG to review, report and make recommendations to BLG on the business, assets, affairs and operations of Bumper. A&M’s role as consultant concluded on the Receivership Date.
4. The purpose of this first report of the Receiver (the “First Report”) is to provide this Honourable Court with information in respect of the following:
 - a) an overview and an operational update of Bumper since the Receivership Date;

- b) the activities of the Receiver since the Receivership Date;
- c) the security opinion conducted by the Receiver's counsel with respect BMO;
- d) the sales process initiated by Bumper prior to the Receivership Date to sell certain oil and gas assets (the "Pekisko Assets") and a process that was conducted by the Receiver to sell these assets post-Receivership Date;
- e) the asset purchase agreement (the "Forent APA") entered into between the Receiver and Forent Energy Inc. ("Forent") dated April 27, 2016, along with the proposed Approval and Vesting Order (subject to Court approval);
- f) a sealing of the Appendices "C" and "D" to the First Report (the "Sealing Order");
- g) the Receiver's dealings with the Alberta Energy Regulator (the "AER");
- h) the cash flow results for the period from February 16, 2016 to April 22, 2016 (the "Reporting Period");
- i) approval of the proposed distribution of funds recovered by the Receiver (the "Proposed Interim Distribution");
- j) approval to amend paragraph 16 of the Receivership Order;
- k) the Receiver's future course of action; and
- l) the Receiver's recommendations

5. Capitalized words or terms not defined or ascribed a meaning in the First Report are as defined in the Receivership Order.

6. All references to dollars are in Canadian currency unless otherwise noted.

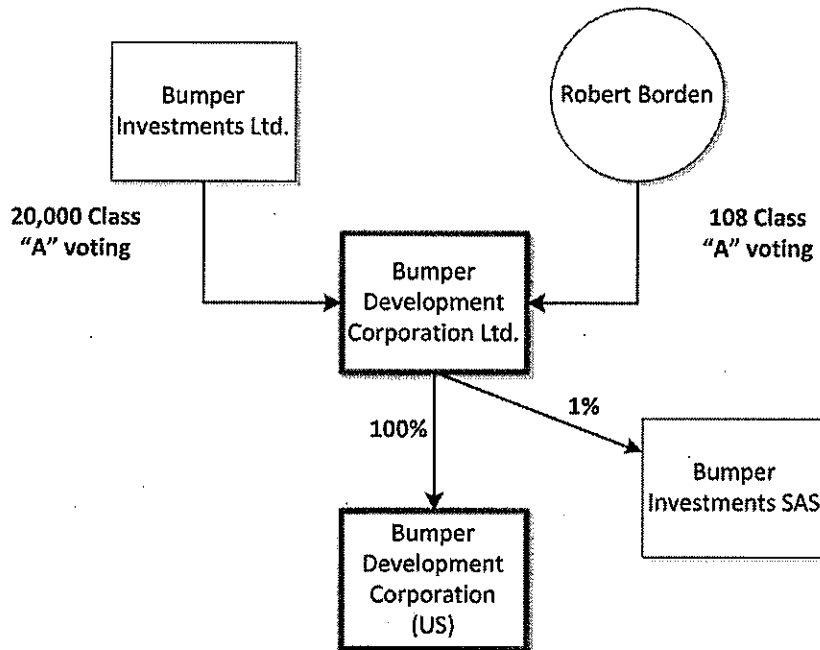
TERMS OF REFERENCE

7. In preparing this First Report the Receiver has relied upon the representations of certain former management and employees of Bumper and on financial and other information contained in Bumper's books and records. The Receiver has not performed an audit, review or other verification of such information.

BACKGROUND

8. Bumper Canada is a corporation registered to carry on business in the Province of Alberta and is owned by Bumper Investments Ltd. and Mr. Robert Borden. Bumper Canada is diversified, private, family-owned headquartered in Calgary, Alberta. Bumper Canada was founded in 1952 (predecessor company was S&T Drilling Co., Ltd.) and has been in continuous operation for over 60 years. Originally organized as a drilling company, it currently has a number of business segments including oil and gas exploration and production, venture capital, real estate, and art. Bumper US is a wholly owned subsidiary of Bumper Canada and was duly incorporated under the laws of the State of Delaware in 1978. Bumper Canada and Bumper US will be referred to as "Bumper" for this Report.
9. Bumper is a producer of crude oil ("Oil"), natural gas ("Gas") and natural gas liquids ("NGL's"). Bumper's production is oil weighted. The majority of Bumper's production comes from the Three Hills ("Twinning Assets") area in Southern Alberta. A portion of the Twinning Assets (land and wells) are contemplated in the Forent APA (the "Pekisko Assets").
10. Bumper also has a 1% ownership interest in Bumper Investments SAS ("Bumper SAS"), which operates and is incorporated in France. The Receiver understands that Bumper SAS owns certain residential and commercial buildings in France. The Receiver is currently reviewing updated financial information provided by Bumper SAS to confirm the exact holdings of Bumper SAS and if any value

exists in respect of those holdings. Below is a summary of the organizational chart of Bumper:



11. Further background to Bumper and its operations is contained in the materials filed in support of and relating to the Receivership Order. These documents and other relevant information have been posted by the Receiver on its website at: www.alvarezandmarsal.com/bumper (the "Receiver's Website").

OVERVIEW OF BUMPER

Location

12. Bumper's head office is located in Calgary, Alberta and its principal address is Suite 650, 717-7th Avenue SW.

Assets

Bumper Oil and Gas Assets

13. The Pekisko Assets working interests are approximately 39% operated and the remainder are non-operated. They are located on a large contiguous land bas

consisting of 19,825 gross (6,916 net) acres of land centered in Townships 31-33 and Ranges 24-25W in Southern Alberta, which, are subject to Alberta Crown royalties as well as private gross overriding royalties. Current production from the Pekisko Assets is approximately 200 boe/d (70% oil and NGL's). Bumper has participated in 7 horizontal oil wells over the past 2 years and has identified an additional 200 gross horizontal drilling locations (71.6 net) on land in which Bumper holds an interest. The Twining Assets currently operate at cash flow negative.

14. Bumper also holds certain other minor non-operated working interests, royalties and a small interest in a unit in Southern Alberta (the "Remaining Oil & Gas Assets"). The Receiver is now engaging the assistance of a sales agent to market the Oil & Gas Assets in the coming weeks.

Investments

15. Bumper owns various shares in several privately-owned venture capital companies that are largely in the bio-therapeutic industry. The net book value ("NBV") of these investments is approximately \$13.5 million. The market value of these assets is under investigation by the Receiver and it is unknown at this time whether realizations will be materially different than the NBV. The Receiver is currently obtaining additional information on these investments to determine the best way to market the shares in order to maximize recoveries.

Due From Related Party

16. Bumper has a note receivable (the "INIM Note") with a French company called INIM SARL, which is the majority shareholder of (99.1%) of Bumper SAS. Bumper has a 0.9% ownership interest in Bumper SAS, as discussed above. The INIM Note was entered into between Bumper and INIM SARL on December 31, 2003 for EURO\$1,485,450 and is payable over 20 years with the final payment to be made on December 31, 2023. The current balance outstanding and owed to Bumper from INIM SARL is EURO\$359,553.15. The Receiver understands that

the INIM Note is secured by the shares owned by INIM SARL to Bumper SAS and there are no terms or requirements for early repayment. The Receiver is currently in discussions with management of INIM SARL for the possible early collection and settlement of the INIM Note.

Prepaid Deposit

17. Bumper has a royalty deposit with the Alberta Department of Energy (“DOE”) of approximately \$183,000 (the “Royalty Deposit”). The Receiver was advised that the Royalty Deposit requirements with the DOE are reviewed on an annual basis in June and the actual royalty calculation amounts for the previous year will impact the amount of deposit required for the current year. If the Royalty Deposit is reduced at that time, then a potential refund will be available to the Receiver in August 2016. If the Pekisko Assets are sold (subject to Court approval), it is expected that the refund will be sent to the Receiver by the DOE.

Artwork

18. Bumper has a significant artwork collection (the “Artwork”). The majority of the Artwork is East Indian and Southeast Asian influenced art dating from 2nd Century A.D. The Artwork is currently located in the US (New York and Vermont) and in Banff, Alberta, Canada. As at September 30, 2015, the estimated net book value of the Artwork was \$1 million; however, the realization of the Artwork may be materially different than the NBV. There are currently 10 pieces of Artwork being offered for sale at the Nancy Weiner Gallery in New York City, New York. The Receiver is working with the gallery to determine the best approach in selling these rare pieces for the best possible price.
19. The Receiver has also hired a consultant to assist in consolidating the remaining Artwork in the US to a bonded storage facility located in Manhattan, New York. There are two pieces of Artwork currently stored at Ms. Susan Borden’s house in Banff, Alberta and the Receiver has made arrangements to have it held at that location. The Receiver is currently evaluating the best approach to sell and

maximize recovery on all the remaining Artwork, in addition to the Artwork located at the Nancy Weiner Gallery.

20. The Receiver had recently renewed Bumper's fine art insurance policy ("Artwork Insurance Policy") with Huntington T. Block Insurance Agency that expires on May 27, 2017. The Artwork Insurance Policy incorporates a corporate blanket policy coverage, along with terrorism and earthquake coverages. The total premium is US\$3,910 and will be paid by the Receiver shortly. The Receiver is the beneficiary and the loss-payee of the Artwork Insurance Policy.

US Undeveloped Lands

21. The Receiver is advised that Bumper currently owns three (3) undeveloped parcels of lands (the "US Lands") in Riverside County, California (approximately 3hrs East of Los Angeles). The Receiver understands that the tax assessed values for the US Lands is approximately USD\$20,000. The Receiver is in the process of selecting a broker in the US to determine the nature of these lands and the best prospects to maximize recoveries on the US Lands.

Liabilities

22. As at the Receivership Date, the amounts owed by Bumper to each creditor, according to the books and records are approximately \$13.4 million. Bumper's two secured creditors are owed approximately \$12.8 million, where BMO is owed approximately \$11.3 million and Encana Corporation is owed approximately \$1.4 million. Bumper's unsecured creditors are owed approximately \$590,000 and are generally made up of trade creditors.
23. It is unknown whether the realizations of Bumper's assets will be sufficient to pay Bumper's secured creditors.

INITIAL ACTIVITIES OF THE RECEIVER

Securing the Property and Administration

24. Since the Receivership Date, the Receiver's initial activities have included the following:

- a) attending the head office location of Bumper and taking possession and control of the Property;
- b) engaging the services of the existing field foreman and supervisor for the Bumper Oil & Gas Properties to ensure that the assets are preserved, protected and operating appropriately;
- c) obtaining the keys and locks at the head office (shared location with the landlord) and restricting computer access and codes as appropriate and generally securing and safeguarding the Property of Bumper;
- d) confirming all known corporate bank accounts of Bumper and providing the respective bank representatives with notices to freeze all accounts and remit net balances to the Receiver;
- e) completing a filing index and organizing the various files of Bumper located at its head office;
- f) redirecting Bumper's mail to the office of the Receiver;
- g) attending meetings with Bumper's former chief executive officer ("CEO"), chief financial officer ("CFO"), vice president of operations ("VP") and land administrators and contractors to explain the powers and duties of the Receiver, its role as an Officer of the Court and to discuss the proposed terms of retention to assist the Receiver during

the Receivership Proceedings necessary for the administration of the receivership and the Receiver's possible further course of action;

- h) attending meetings and discussions with the various oil and gas markers to market Bumper's oil and gas production;
- i) attending various conference calls and meetings with the field operators of Bumper, particularly to address the various issues and operational matters;
- j) completing a process to sell the Pekisko Assets and executing the Forent APA with Forent for the purchase of Bumper's right, title and interest in the petroleum and natural gas rights, miscellaneous interest and tangibles of the Pekisko Assets on an "*as is where is basis*" and for the transfer of all of Bumper's well and facility assets and liabilities for which Bumper has an AER well and/or facility license, subject to Court approval;
- k) retaining and providing instructions to the Receiver's independent legal counsel, Fasken Martineau LLP, in respect of the Receivership Proceedings generally;
- l) reviewing the land records of Bumper and engaging a contract land administrator to update Bumper's property, mineral and contract files;
- m) completing a compilation and analysis of accounts receivable sub-ledgers and reconciliation of Bumper's other remaining assets;
- n) undertaking day to day management of operations of Bumper, including contractor supervision and payment of trade creditors for services rendered and approved by the Receiver;
- o) monitoring the cash flow of Bumper and ensuring suppliers were paid on a timely basis;

- p) notifying Bumper's insurance brokers of the Receivership Order and making arrangements for continuation of the Corporate Insurance Policy, and adding the Receiver as a named insured and loss payee;
- q) attending various meetings and communications with BMO, as the main creditor stakeholder with respect to operational and financial updates of Bumper, the process established to sell the Pekisko Assets, and other Receivership matters in general;
- r) attending numerous meetings and calls with the AER regarding various matters,
- s) corresponding with existing working interest partners with respect to Bumper continuing to take its product-in-kind; and
- t) attending numerous and on-going meetings and discussions with various creditors (or their representatives), legal counsel to the Receiver, shareholders, current directors, interested parties, and other Bumper stakeholders regarding the Receivership Proceedings, generally.

Employees and Consultants

- 25. As at the Receivership Date Bumper did not have any employees, but only independent contractors administering and responsible for the operations.
- 26. The Receiver entered into several short-term contractor agreements (the "Contractor Agreements") with the former contractors of Bumper (i.e. CFO, accountant, land administrator, engineer, field operators and production accountant, etc.) (the "Contractors") to assist with the accounting, operational and certain other duties required of the Receiver in the overall administration of the Receivership Proceedings. The Contractor Agreements allow for termination at any time and Contractors are currently being engaged on an "as needed" basis.

Land and Contract Files

27. Since the Receivership Date, the Receiver has performed a review of the various property files of Bumper and has reconciled these property files to the mineral and surface lease documents in Bumper's land system, with the assistance of its land administrator contractor.

Employee Priority Claims

28. The Receiver understands that prior to the Receivership Date, all former employees of Bumper had already received a record of employment, information pertaining to existing insurance health care benefits and the employee's T4 notice for tax purposes. Since the Receivership Date, the Receiver provided information to the former Bumper employees regarding the Wage Earner Protection Program ("WEPP"), who may be eligible for a claim under WEPP.
29. The Receiver determined that there were four employees who qualified for WEPP and the Receiver submitted the employee's information to Service Canada on March 29, 2016. To date, the Receiver has received all proof of claims from the eligible employees. The Receiver understands that there is no outstanding pre-receivership GST owing to the Canada Revenue Agency ("CRA") and there is nothing outstanding with respect to source deductions. The Receiver is requesting an audit to be conducted by CRA on Bumper's GST and source deductions.

Statutory Mailing by Receiver

30. The Receiver mailed the notices required by sections 245 and 246 of the BIA to the Bumper's creditors and the Office of the Superintendent of Bankruptcy on February 25, 2016 (the "Receiver's Notice"). A copy of the Receiver's Notice can be found on the Receiver's Website.

OPERATIONAL UPDATE

Challenge of Operatorship

31. On February 26, 2016, Eagle Energy Inc. ("Eagle"), a working interest partner of Bumper, delivered to the Receiver two notices (the "Feb.26th Eagle Notices") indicating that Eagle is replacing Bumper immediately as Operator over certain joint working interests pursuant to the 1999 Operating Procedure and 2007 CAPL Operating Procedure as incorporated into a Joint Operating Agreement dated April 9, 2013 and a CO&O Agreement dated January 1, 2015. On February 29, 2016, the Receiver delivered a letter (the "Feb. 29th Response Letter") to Eagle in response to the Feb. 26th Eagle Notices, informing Eagle, that pursuant to Section 9 of the Receivership Order, all rights and remedies against Bumper, the Receiver, or the Property are stayed.
32. On March 22, 2016, Eagle delivered two additional letters to the Receiver regarding the Assignment of Interest and the Transfer of Property (the "March 22nd Eagle Notices"). The Receiver met with Eagle at the Receiver's office on March 22nd, to among other things, to further discuss March 22nd Eagle Notices and the Receiver informed Eagle at the meeting that the Eagle notices and requests continued to be stayed under the Receivership Order. A copy of the Feb.26th Eagle Notices, the Feb.29th Response Letter and the March 22nd Eagle Notices are attached as Appendix A to this Report. Since the Receivership Date, Bumper has continued to act as operator of the properties wherein Eagle is a working interest partner.
33. As discussed further below, Eagle submitted an offer on the Pekisko Assets with the Receiver; however, their bid was not accepted as it was not the best and highest offer received in the process.

Alberta Energy Regulators (“AER”)

34. On March 9, 2016, the AER delivered a letter (the “AER March 9th Letter”) to the Receiver confirming receipt of the Receivership Order and informing the Receiver of certain requirements expected of the Receiver with respect to a “licensee’s” obligation under the *Responsible Energy Development Act* and the *Oil and Gas Conservation Act* (“OGCA”). As requested by the AER, on March 18, 2016, the Receiver delivered a letter to the AER (the “March 18th Response Letter”) in response to the AER March 9th Letter. A copy of the AER March 9th Letter and the March 18th Response Letter is attached as Appendix B to this Report.
35. The Receiver advised the AER of the potential sale of the Pekisko Assets (subject to Court approval) to Forent and that the Receiver was seeking a “pre-clearance” for the transfer of all of Bumper’s well, facility and pipeline licenses to Forent as part of the transaction. On March 30, 2016, in response to the Receiver’s request, the AER advised that it will transfer the Bumper’s licenses to Forent on the basis that:
- a) because the transfer of all licences will occur from Bumper to Forent, the Liability Management Rating (“LMR”) of Bumper will change to zero as Bumper will no longer hold any licences. Per the AER, this meets the LMR criteria and no post-transfer security is required from Bumper and Forent’s LMR rating is sufficient to accept the license transfers;
 - b) the Orphan Fund Levy and Administrative Fee Levy are paid prior to the transfer of the licenses totaling approximately \$17,000;
 - c) the Directors and Officers of Forent are arm’s length from those of Bumper; and
 - d) there are no current identified non-compliances with AER regulations & requirements from either company.

36. The Receiver will make the payment of the Orphan Fund Levy and Administrative Fee Levy prior to the transfer of the licenses, if the Forent APA is approved by this Honourable Court and closes in accordance with its terms.

Office Lease

37. Bumper's current head office lease rental rate is \$2,000 per month and it is on a month to month basis. The lease agreement does not require a minimum period for notice of cancellation. The Receiver did not assume the lease between Bumper and the landlord and is currently paying occupancy rent.

Corporate Insurance coverage

38. Bumper has a comprehensive corporate insurance policy ("Corporate Insurance Policy") in place with AON CanaEnergy Insurance Group that expires on November 1, 2016, which consists of blanket property coverage, commercial liability (including sudden and accidental pollution liability), business interruption, production property floater, and office contents insurance. The total premium is approximately \$23,000 and was paid in full by the Receiver.
39. The Receiver is the beneficiary and the loss-payee of the Corporate Insurance Policy.

SECURITY OPINION

Validity, Enforceability & Priority

40. The Receiver anticipates receiving shortly, and in any event prior to appearing before the Court on the application related to the First Report, a written opinion from its legal counsel confirming the validity and enforceability of the BMO security in relation to Bumper's assets. The Receiver is verbally advised by its legal counsel that its security review is substantially complete and subject to the usual qualifications, BMO's security is valid and enforceable and ranks in priority to Encana Corporation and other ordinary unsecured creditors. The Receiver is not aware of any other claimant that may have a priority over BMO's security.

THE SALES PROCESS

Overview

41. Pursuant to paragraph 3(k) of the Receivership Order, the Receiver is empowered and authorized to market the Property, including advertising and soliciting offers in respect of the Property or any parts thereof, and negotiating such terms and conditions for the sale of the Property as the Receiver in its discretion may deem appropriate.
42. Prior to the Receivership Date, Bumper engaged the services of Petro Buyers Inc. ("Petro Buyers") to assist in the sale and marketing of Bumpers Pekisko Assets (the "Pre- Receivership Marketing Process") and other oil and gas assets that were sold prior to the Receivership Date. A&M, in its role as consultant to BLG, and later as Receiver, evaluated the Pre- Receivership Marketing Process to determine its appropriateness and whether the process adequately exposed the assets to the market. Based on the Receiver's review (and A&M's review in its previous role as consultant to BLG) of materials prepared by Petro Buyers in the Pre- Receivership Marketing Process, the Receiver and A&M believes the Pre- Receivership Marketing Process was a fulsome marketing process that canvassed the market for all potential buyers that would have been interested in the Pekisko Assets.
43. The Receiver utilized the sales and marketing efforts made by Petro Buyers and Bumper in the Pre- Receivership Marketing Process to contact and negotiate efficiently with parties that placed offers on the Pekisko Assets (the "Post- Receivership Marketing Process"). The Post- Receivership Marketing Process adopted by the Receiver was supported by Bumper's main significant stakeholder, BMO.
44. A summary of the Pre- Receivership Marketing Process and the Post- Receivership Marketing Process for the Pekisko Assets, is discussed further below.

The Pre-Receivership Marketing Process

Implementation

45. Petro Buyers undertook a significant sales and marketing process to ensure it effectively and thoroughly canvassed the market. The Pekisko Assets were marketed to companies identified by Petro Buyers as being financially capable and possessing the technical expertise to execute a Pekisko horizontal drilling program.
46. A comprehensive evaluation and marketing materials, including an independent reserve report, land schedule, production reports, lease operating statements, facilities and well list information for the Pekisko Assets was assembled and made available on a virtual data room ("VDR").
47. The Pre-Receivership Marketing Process involved the following:
 - a) The Pre-Receivership Marketing Process commenced on July 17, 2015, with information brochures summarizing the Pekisko Assets being distributed to over 300 Canadian oil and gas companies. In addition, a variety of these companies were contacted by Petro Buyers and were made aware of the sales process. The Receiver is advised that Petro Buyers received many additional calls from other interested parties, through word of mouth, asking for additional information on Bumper. At the time the Pre-Receivership Marketing Process commenced, WTI was approximately \$53/barrel of oil;
 - b) The Pre-Receivership Marketing Process advised prospective purchasers and interested parties that all non-binding offers were due by the of day August 20, 2015 (the "Pre-Receivership Bid Deadline");
 - c) 12 confidentiality agreements ("CAs") were executed, which the Receiver understands was an exceptional number of CAs for a

divestiture of this nature. Each party signing a CA was provided with access to the VDR relating to the Pekisko Assets;

- d) a VDR containing well files, reserve reports, analysis and other relevant and pertinent information with respect to the Pekisko Assets was made available on July 20, 2015 to all persons signing a CA; and
- e) there were 41 individual VDR participants.

Results from the Pre-Receivership Marketing Process

- 48. A total of three (3) prospective purchasers submitted written offers (non-binding letters of intent with no deposits) prior to the Pre-Receivership Bid Deadline. The ratio of bids to CAs received (3/12 or 25%), appears comparable to various other similar divestiture assignments the Receiver has conducted and/or have seen in the market place for Properties of this nature.
- 49. Bumper selected one offer and spent a considerable amount of time negotiating a final asset purchase agreement ("APA"). The APA was executed by the parties, but certain conditions were not met in December 2015 and the sale of the Pekisko Assets did not close. Bumper management advised the Receiver (and A&M in its prior role as consultant to BLG) that Bumper then approached the other two (2) prospective purchasers that placed offers on the Pekisko Assets in the Pre-Receivership Marketing Process. Bumper asked if these parties would be interested in either reviving their previous offer or providing Bumper with a revised (new) offer.
- 50. Due to the further decline in commodity prices from the start of the Pre-Receivership Marketing Process (July 2015) to early January 2016 (WTI decreased from approximately \$53WTI to \$30WTI), only one of the two prospective purchasers revised their offer, but it was materially lower than their original offer submitted at the Pre-Receivership Bid Deadline. This offer was not accepted by Bumper, nor was it supported by Bumper's main significant stakeholder (BMO). The other prospective purchaser declined to revive or revise

their offer. Having no other viable offers, shortly after, Bumper was placed in receivership on February 16, 2016.

The Post-Receivership Marketing Process

Overview

51. Shortly after the Receivership Date, the Receiver re-approached the two prospective purchasers that placed an offer on the Pekisko Assets prior to the receivership. The two prospective purchasers were Forent and Eagle. The Receiver met with both Eagle and Forent on a number of occasions and held various phone calls with them with respect to the Pekisko Assets. The Receiver advised both Eagle and Forent that if they should submit an offer to the Receiver, the Receiver would only accept an offer for the Pekisko Assets:
 - a) on an “*as is where is*” and without recourse basis; and
 - b) without any representations and/or warranties and without (or limited) conditions made by the Receiver;
52. The Receiver further advised that the sale of the Pekisko Assets is subject to Court approval and preference will be given to those offers that will acquire all of the Bumper AER well, facility and pipeline licenses (no “cherry picking” of assets).
53. For the next two months following the Receivership Date, the Receiver, with the assistance of its counsel, has been working diligently to obtain the “best and highest” offer available under the circumstances for the Pekisko Assets.
54. On April 27, 2016, an offer was finalized and the Forent APA was executed with Forent, subject to Court approval, and the Deposit (as defined in the Forent APA) is to be paid to the Purchaser’s counsel within 5 business days of the execution of the Forent APA (on or before May 6, 2016). Below is a summary of the Post-Receivership Marketing Process:

Implementation

55. The Receiver requested both Forent and Eagle to provide their offers for the Pekisko Assets by no later than February 26, 2016 (the “Feb.26th Post- Receivership Bid Deadline”). The Receiver received non-binding offers from both Eagle and Forent by the Feb. 26th Post-Receivership Bid Deadline. For the next 1.5 weeks thereafter, the Receiver reviewed both offers and held various conversations with Forent and Eagle clarifying certain aspects of their non-binding offers.
56. On March 6, 2016, the Receiver advised both Eagle and Forent that the Receiver had completed its initial review of their submitted non-binding offers. Both offers received excluded several of Bumper’s abandoned wells and facilities (the “Abandoned Well & Facility Licenses”). As at March 6, 2016, the total net AER deemed liability value for the Abandoned Well & Facilities was a significant and material amount. Consequently the Receiver requested both parties to clarify the lands, wells and facilities they were prepared to take as part of their offer and requested a meeting with both parties (separately) to discuss their offers further.
57. On March 8 and 9th, 2016, the Receiver met with Forent and Eagle to discuss their submitted offers at the Receiver’s office. The Receiver advised each prospective purchaser that their offers were similar in nature and the Receiver therefore requested that each party consider submitting a revised offer for a higher purchase price amount and including the Abandoned Well & Facility Licenses. Both Forent and Eagle were given to March 16, 2016 to provide their revised offers (the “Revised Post-Receivership Bid Deadline”).
58. On March 16, 2016, the Receiver received revised non-binding offers from both Forent and Eagle. On March 19, 2016, the Receiver elected to proceed with Forent’s revised non-binding offer to work towards a definitive agreement. The Receiver advised Eagle that the Receiver would not be proceeding with their offer. Immediately after receiving notice that they were not the successful bidder, Eagle requested a meeting with the Receiver to discuss the Receiver’s selection

and also to discuss the Feb.26th and the March 22nd Eagle Notices, wherein they advised they would challenge the sale of the Pekisko Assets to Forent if they were not provided “operatorship” of Bumper’s operated wells and facilities before the assets were sold to Forent (notwithstanding the Receiver’s position that Eagle was stayed and suspended in taking such actions against the Receiver).

59. The Receiver and Forent continued to work on drafting the Forent APA that would see the transfer of all of the Pekisko Assets, along with the Abandoned Well and Facility Licenses, but on a “*as is where is*” basis. The Receiver advised Forent that since this was an “*as is where is*” sale, the Receiver could not and would not represent or warrant, nor guarantee the transfer of operatorship for those wells and facilities in which Bumper and Eagle have a shared working interest. Forent has expressed concerns that if they were forced to take the Abandoned Well and Facility Licenses without some comfort that they will also obtain the AER licensed wells and facilities related that are in “operatorship” dispute with Eagle, their ability to close on the sale may be impacted.
60. From March 19, 2016 to April 12, 2016, the Receiver and Forent continued to negotiate the terms of the Forent APA. During this time, the Receiver, Forent and Eagle met to try to settle each other’s concerns and differences with respect to the sale of the Pekisko Assets and the operatorship matter; however, no resolution was achieved between the two parties.
61. On April 12, 2016, the Receiver received an unsolicited offer from Eagle for the purchase of the Pekisko Assets that expired on April 14, 2016. On April 14, 2016, the Receiver received a phone call from Eagle and the Receiver advised Eagle that, although the Receiver was not soliciting an offer from Eagle, if Eagle wished to resubmit their offer, it would review and consider it, along with any revised final offer that was expected to come from Forent by April 15, 2015. The Receiver also advised Eagle that these offers would be discussed with Bumper’s main significant stakeholder, BMO. Both Eagle and Forent re-submitted their

best and final offer to the Receiver on April 15, 2016 (the “Final Non-Binding Offers”).

62. Upon further review of the Final Non-Binding Offers the Receiver determined that the best non-binding offer received was from Forent. As discussed above, this offer was finalized in the Forent APA dated April 27, 2016.
63. Due to the confidential nature of the information provided in the offers received on the Properties during the Pre-Receivership Marketing Process and Post-Receivership Marketing Process, the Receiver is concerned that if the information is disclosed to third parties prior to the closing of the sale of the Pekisko Assets, the disclosure could materially jeopardize the sale or, if the sale does not close, could materially jeopardize the value that the Receiver could subsequently obtain from the sale of the Pekisko Assets. As such, the Receiver is respectfully of the view that it is appropriate that this Honourable Court grant the Receiver’s request for a sealing of the following appendices to this First Report:
 - a) the Receiver’s analysis on the Forent APA, which includes a summary of the offers received for the Properties in the Pre-Receivership Marketing Process and the various offers (and revised offers) received from Forent and Eagle in the Post-Receivership Marketing Process (Confidential Appendix C); and
 - b) the Forent APA (Confidential Appendix D).

Receiver’s Considerations and Recommendations

64. The Receiver considered the following when reviewing the Offers:
 - a) the Receiver was authorized to market and sell the Properties pursuant to section 3(k) of the Receivership order;
 - b) the Properties were adequately exposed to the market in the Pre-Receivership Marketing Process and the Purchaser, along with all other participants in the sales process, complied with not only the Pre-

Receivership marketing Process, but also the Post-Receivership Marketing Process (i.e. the integrity of the process was upheld);

- c) the highest and best offer received by the Receiver;
- d) the next highest offer received on the Properties;
- e) the size of the non-refundable deposit posted;
- f) the amount of representation, warranties and obligations offer in the Offers received;
- g) the overall execution risk associated with closing a transaction;
- h) the current state of the Pekisko Assets. The Pekisko Assets are a subset of the Twining Assets, which are currently operating at negative cash flow and the Receiver believes the only two logical buyers of the Pekisko Assets are either Forent or Eagle and it would appear that the bidders have attributed their value to future increases in commodity prices exceeding the forward price curve;
- i) the overall recovery to the significant stakeholders, secured and unsecured creditors; and
- j) BMO, the main significant secured stakeholder, supports the Forent APA.

65. The Receiver believes that the Pekisko Assets have been adequately exposed to the marketplace through the efforts completed by Petro Buyer's in the Pre-Receivership Marketing Process and by the Receiver in achieving the best and highest offers in the Post-Receivership Marketing Process.

66. The Receiver believes that Forent and Eagle were treated equally and fairly in the Post-Receivership Marketing Process and each were given the same opportunity,

on several occasions, to update and revise their offers to submit a “final and best” offer. In every case, Forent’s offer was better than Eagle’s offer.

67. The Receiver believes that the transaction contemplated in the Forent APA is the best and highest offer available in the circumstances, and will garner the greatest recovery to the creditors in the Receivership Proceedings.
68. As discussed in more detail in Confidential Appendix “C”, based on its discussions with Eagle, the Receiver believes that Eagle may continue to assert its position as articulated in the Feb.26th Eagle Notices and March 22nd Eagle Notices (the “Eagle Notices”) against Forent. The Receiver has explained this risk to Forent and has also, with Forent’s agreement, included a “protocol” in the Sale Approval and Vesting Order that will allow Eagle and Forent to litigate Eagle’s position (if Eagle wishes to litigate the matter) as set out in the Eagle Notices after Closing has occurred under the Forent PSA.

RECEIPTS AND DISBURSMENTS – FEBRUARY 16, 2016 TO APRIL 22, 2016

69. The table below provides a summary of the actual cash flows for the Reporting Period, and contains the cash receipts and disbursements relating to Bumper.

Bumper Development Corporation Ltd. - In Receivership	
Actual Cash Flows Results	
\$CAD 000's	
Week Ending Date	ACTUAL TOTAL Feb.16- April 22
OPERATING RECEIPTS	
<u>Oil and gas receipts</u>	
Pekisko Gas receipts	51,166
Pekisko Oil receipts	260,967
Granlea gas receipts - Acme Energy	2,865
PKCU - JIB	16,243
Royalty receipts (Acme, Carbon, other)	7,635
Total Receipts	338,876
DISBURSEMENTS	
Surface rental and Royalty Costs	794
Pekisko Operating Costs	114,064
Other Operating Costs	8,717
Contractors	47,608
Total Operating Costs	171,183
Net operating receipts (costs)	167,694
NON-OPERATING RECEIPTS	36,040
NON-OPERATING DISBURSEMENTS	258,068
Net change in cash flow	(54,334)
Opening available cash	595,908
Net change in cash flow	(54,334)
Ending available cash	541,574

70. Operating receipts during the Reporting Period, which included Oil, Gas and NGLs receipts and royalty receipts totalled \$338,876. Due to the timing of collections, operating receipts in the Reporting Period do not include March production receipts of approximately \$200,000 that were collected on April 25, 2016.

71. Operating disbursements during the Reporting Period totalled \$171,183, which include surface rental and royalty costs, operating costs, other oil and gas operating costs and land, engineering and field operator contractor fees. There are approximately \$200,000 of expected operating costs that have been incurred in the Reporting Period, but remain unpaid as at April 22, 2016 and are expected to be paid in the coming days.
72. Net positive operating cash receipts of \$167,694 is due to the timing of operating costs incurred and not paid in the Reporting Period. As previously discussed, Bumper's Oil and Gas Assets (mainly the Twining Assets) are operating at "cash flow negative". Once these accrued expenses are paid in the coming weeks, Bumper's cash flows should reflect an operating cash flow negative position.
73. Non-operating receipts of \$36,040 primarily relate to the return of a legal retainer and return of payments issued in the pre-filing period as a result of the Company's bank account being frozen at the Receivership Date.
74. Non-operating disbursements totaled \$258,060, which primarily relate to the following:
 - a) \$69,815 relating to the fees for the accounting contractors as retained by the Receiver;
 - b) \$22,937 for the renewed Corporate Insurance Policy premiums for coverage until November 2016;
 - c) \$137,791 relating to the Receiver's professional fees and costs paid during the Reporting Period, up to March 31, 2016. Total estimated professional fees incurred (but not paid) from April 1 to April 30, 2016 of the Receiver, along with its counsels fees and costs from February 16, 2016 to April 30, 2016 are approximately \$130,000; and
and

- d) \$27,525 relating to various non-operating expenses such as licenses for the land system, fees for production accounting services, rent for the head office, and GST payable.

75. Bumper's ending cash balance as at April 22, 2016 was \$541,574.

PROPOSED INTERIM DISTRIBUTION

- 76. Pursuant to paragraph 12 of the Receivership Order, the monies collected during the Receivership Proceedings, shall be held by the Receiver to be paid in accordance with the terms of the Receivership Order or any order of this Court.
- 77. As previously discussed, the Receiver is advised by its counsel that BMO security as against Bumper is valid and enforceable and ranks in priority of all other unsecured creditors and the Encana secured claim. If the Forent APA is approved by this Court and the transaction closes, upon filing the Receiver's Certificate, the Receiver recommends to distribute to BMO as a partial repayment of the indebtedness owing by Bumper to BMO, the net sale proceeds derived from the closing of the Forent APA, less an amount, to be determined at the Receiver's sole discretion, to be retained to cover future costs of the administration of the estate of Bumper.

AMENDMENT TO RECEIVERSHIP ORDER

- 78. The Receiver respectfully requests this Honourable Court for an Order amending the paragraph 16 of the Receivership Order by adding the words:

“in the Receiver's possession or control at the time a claim is made”

at the conclusion of the first sentence thereof in order to further clarify that limit of the Receiver's liability will be reduced as Property of Bumper is realized upon and distributions are made to the creditors of Bumper.

RECEIVER'S FUTURE COURSE OF ACTION

79. The Receiver's next steps include:

- a) finalizing and closing the Forent PSA, subject to Court approval;
- b) arranging for an audit to be performed by the CRA on Bumper's GST and source deductions;
- c) closing Bumper's head office and terminating the office lease space to reduce operational costs and overhead;
- d) completing the sales process to sell the Remaining Oil and Gas Assets of Bumper;
- e) establishing a process to maximize the recovery of Bumper's remaining investments, artwork and other non-oil and gas assets;
- f) filing, packaging and storing all relevant books and records of Bumper; and
- g) addressing any and all operational and regulatory matters affecting Bumper's Property, as may be required.

RECOMMENDATION

80. The Receiver respectfully recommends that this Honourable Court approve and grant:

- a) the Approval and Vesting Order sought by the Receiver in respect of the Forent APA;
- b) a Sealing Order with respect to the Confidential Appendices C and D to this Report;
- c) amending of paragraph 16 of the Receivership Order; and

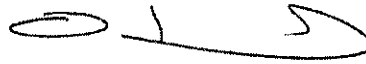
d) the Proposed Interim Distribution;

All of which is respectfully submitted this 3rd day of May, 2016.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Receiver of Bumper Development Corporation Ltd.
and Bumper Development Corporation**

A handwritten signature in black ink, appearing to read 'Tim Reid', with a stylized flourish at the end.

Tim Reid, CPA, CA, CIRP, LIT
Senior Vice-President

A handwritten signature in black ink, appearing to read 'Orest Konowalchuk', with a large, sweeping loop at the end.

Orest Konowalchuk, CPA, CA, CIRP, LIT
Vice-President

APPENDIX A



EAGLE ENERGYTM
INC.

Eagle Energy Inc.
Suite 2710, 500 – 4th Avenue SW
Calgary, Alberta T2P 2V6
Phone: 403.531.1575
Fax: 403.508.9840
www.EagleEnergy.com

Frank Cortese
Landman
Direct: 587.233.1785
Cell: 403.651.2130
Email: fcortese@eagleenergy.com

February 26, 2016

Alvarez & Marsal Canada Inc.
Bow Valley Square IV
1110, 250-6 Avenue SW
Calgary, AB T2P 3H7

Bumper Development Corporation Ltd
c/o 650, 717 – 7th Avenue SW
P.O Box 21164
Calgary, AB T2P 3C4

Attention: Land Manager

Re: Replacement of Operator Notice (the "Notice")
Joint Operating Agreement dated April 9, 2013 (the "JOA")
Twining Area, Alberta
Eagle Energy Inc. File #: C023

Eagle Energy Inc. ("Eagle") hereby serves Notice on Bumper Development Corporation Ltd. ("Bumper") and Alvarez & Marsal Canada Inc. (the "Receiver"), pursuant to Clause 2.02A of the 2007 CAPL Operating Procedure (the "Operating Procedure") incorporated into the JOA as "Schedule B", that Bumper is immediately replaced as Operator, and that Eagle will act as Interim Operator.

The basis for this Notice is as follows:

The Operating Procedure provides, in the following terms, for the immediate removal of an Operator that is placed in receivership:

2.02A – The Parties acknowledge that the Operator's ability to fulfill its duties and obligations for the Parties' benefit is largely dependent on its ongoing financial viability and that the Operator may not seek relief at law, in equity or under the regulations to prevent its replacement in accordance with this Subclause. The Operator will be replaced immediately after service of notice from any Non-Operator to the other Parties to such effect if:

(a) The Operator becomes bankrupt or insolvent, commits or suffers any act of bankruptcy or insolvency, is placed in receivership or

seeks debtor relief protection under applicable legislation (including the *Bankruptcy and Insolvency Act* (Canada) and the *Companies' Creditors Arrangement Act* (Canada)), and it will be deemed to be insolvent for this purpose if it is unable to pay its debts as they fall due in the usual course of business or if it does not have sufficient assets to satisfy its cumulative liabilities in full;

On February 16, 2016, the Court of Queen's Bench of Alberta made an Order appointing the Receiver as Receiver of all of Bumper's current and future assets.

Clause 2.02A of the Operating Procedure provides that upon an Operator's removal, the Party with the largest Working Interest, which here is Eagle, will act as Interim Operator.

Sincerely,

EAGLE ENERGY INC.

By:



Frank Cortese
Landman



Eagle Energy Inc.
Suite 2710, 500 – 4th Avenue SW
Calgary, Alberta T2P 2V6
Phone: 403.531.1575
Fax: 403.508.9840
www.EagleEnergy.com

Frank Cortese
Landman
Direct: 587.233.1785
Cell: 403.651.2130
Email: fcortese@eagleenergy.com

February 26, 2016

Alvarez & Marsal Canada Inc.
Bow Valley Square IV
1110, 250-6 Avenue SW
Calgary, AB T2P 3H7

Bumper Development Corporation Ltd
c/o 650, 717 – 7th Avenue SW
P.O Box 21164
Calgary, AB T2P 3C4

Attention: Land Manager

Re: Replacement of Operator Notice (the "Notice")
CO&O Agreement made effective January 1, 2015 (the "CO&O Agreement")
16-20 31-24-W4M Battery
Twining Area, Alberta
Eagle Energy Inc. File #: FC011

Eagle Energy Inc. ("Eagle") hereby notifies Bumper Development Corporation Ltd. ("Bumper") and Alvarez & Marsal Canada Inc. (the "Receiver") that, pursuant to Clause 303 of the 1999 Operating Procedure (the "Operating Procedure") incorporated into the CO&O Agreement, Bumper immediately ceased to be Operator on February 16, 2016, and that Eagle automatically became Interim Operator.

The basis for this notice is as follows:

Eagle and Bumper are parties to the CO&O Agreement. That agreement incorporates the Operating Procedure, which states as follows:

303 – Operator shall immediately cease to be Operator in the circumstances described in Subclauses (a) and (b) below and in all circumstances described in this clause a replacement Operator appointed pursuant to Clause 304, if:

- (a) Operator becomes bankrupt or insolvent, commits or suffers any act of bankruptcy or insolvency, is placed into receivership or a

receiver/manager or person filling that role is appointed with respect to its property ...

On February 16, 2016, the Court of Queen's Bench of Alberta made an Order appointing the Receiver as Receiver of all of Bumper's current and future assets, undertakings and property.

Eagle requests that Bumper and the Receiver comply immediately with the provisions of Clause 305 of the Operating Procedure concerning the transfers of property that are to occur upon a change of Operators.

Clause 304 of the Operating Procedure provides that the remaining owner with the largest Facility Participation, which here is Eagle, automatically becomes the Interim Operator.

Sincerely,

EAGLE ENERGY INC.

By:



Frank Cortese
Landman



Alvarez & Marsal Canada Inc.
Bow Valley Square 4
Suite 1110, 250 - 6th Avenue SW
Calgary, Alberta T2P 3H7
Phone: +1 403 538 7555
Fax: +1 403 538 7551

February 29, 2016

Eagle Energy Inc.
C/o Mr. Frank Cortese
Suite 2710, 500 – 4th Avenue SW
Calgary, Alberta T2P 2V6

Dear Mr. Cortese:

Re: Bumper Development Corporation Ltd. & Bumper Development Corporation (collectively, "Bumper" or the "Company") – In Receivership

We are in receipt of your letter dated February 26, 2016 respecting Eagle Energy Inc. ("Eagle") File # C023 which purports to serve as a Notice that Bumper is immediately replaced as Operator by Eagle pursuant to Clause 2.02A of the 2007 CAPL Operating Procedure (the "**2007 Procedure**") and your second letter dated February 26, 2016 respecting Eagle File # FC011 which purports to notify Bumper that it has been replaced as Operator by Eagle pursuant to Clause 303 of the 1999 Operating Procedure (the "**1999 Procedure**").

As per our prior correspondence to Eagle (attn.: Ms. Tomy) dated February 24, 2016, pursuant to Section 9 of the Receivership Order granted in respect of Bumper on February 16, 2016, all rights and remedies against the Bumper, the Receiver, or the Property of Bumper are stayed and suspended. This includes any rights which Eagle may have against Bumper under either the 2007 Procedure and 1999 Procedure. Accordingly, the above mentioned notices served by Eagle are stayed and Bumper remains the Operator on both Eagle File # C023 and Eagle File #FC011. For your convenience, a copy of the Receivership Order is enclosed herewith.

If it is Eagle's intention to not adhere to the stay of proceedings granted in respect of Bumper pursuant to the Receivership Order, please advise immediately in order that legal counsel can make appropriate arrangements to bring this matter before a Justice of the Alberta Court of Queen's Bench

We trust you find the foregoing to be in order. If you have any questions or concerns, please do not hesitate to contact the undersigned below.

Yours very truly,
**Alvarez & Marsal Canada Inc., in its capacity as
the Court-appointed Receiver of Bumper Development
Corporation Ltd. and Bumper Development Corporation
and not in its personal capacity**

Orest Konowalchuk
Vice President

Enclosure



**EAGLE ENERGY™
INC.**

Eagle Energy Inc.
Suite 2710, 500 – 4th Avenue SW
Calgary, Alberta T2P 2V6
Phone: 403.531.1575
Fax: 403.508.9840
www.EagleEnergy.com

Frank Cortese
Landman
Direct: 587.233.1785
Cell: 403.651.2130
Email: fcortese@eagleenergy.com

SENT BY EMAIL

MARCH 22, 2016

Alvarez & Marsal Canada Inc.
Bow Valley Square IV
1110, 250-6 Avenue SW
Calgary, AB T2P 3H7

Bumper Development Corporation Ltd
c/o 650, 717 – 7th Avenue SW
P.O Box 21164
Calgary, AB T2P 3C4

Attention : Orest Konowalchuk

Attention: Land Manager

Re: **Transfer of Property
Joint Operating Agreement dated April 9, 2013 (the "JOA")
Twining Area, Alberta
Eagle Energy Inc. File #: C023**

Further to the letter of Eagle Energy Inc. ("Eagle") dated February 26th, 2016 advising Bumper Development Corporation Ltd. ("Bumper") that Eagle will be acting as Interim Operator and in accordance to Article 2.07 of the 2007 CAPL Operating Procedure, Eagle will require the following delivered immediately:

1. all wells subject to JOA transferred to Eagle;
2. copies of the relevant books and records kept for the Joint Account;
3. all Production Facilities or other Joint Property, including funds and any production not delivered in kind; and
4. all documents, agreements, authorizations licenses and other records relating to the Joint Property transferred hereunder, other than proprietary information developed by Bumper for its own account.

In accordance with Article 2.07 Bumper will continue to: (i) remain responsible for any unsatisfied obligations that accrued to it before the effective time of its replacement; and (ii) retain its right for any amounts owing to it under this Agreement that accrued before that time.

Please contact the undersigned in order to commence the transfer as set out above.

Sincerely,

EAGLE ENERGY INC.

By: 

Frank Cortese
Landman



**EAGLE ENERGY™
INC.**

Eagle Energy Inc.
Suite 2710, 500 – 4th Avenue SW
Calgary, Alberta T2P 2V6
Phone: 403.531.1575
Fax: 403.508.9840
www.EagleEnergy.com

Frank Cortese
Landman
Direct: 587.233.1785
Cell: 403.651.2130
Email: fcortese@eagleenergy.com

SENT BY EMAIL

MARCH 22, 2016

Alvarez & Marsal Canada Inc.
Bow Valley Square IV
1110, 250-6 Avenue SW
Calgary, AB T2P 3H7

Bumper Development Corporation Ltd
c/o 650, 717 – 7th Avenue SW
P.O Box 21164
Calgary, AB T2P 3C4

Attention : Orest Konowaichuk

Attention: Land Manager

Re: **Assignment of Interest**
Joint Operating Agreement dated April 9, 2013 (the "JOA")
Twining Area, Alberta
Eagle Energy Inc. File #: C023

Pursuant to Clause 24.01 A of the Operating Procedure attached to the JOA as Schedule "B", no disposition may be made of any of the Working Interest of Bumper Development Corporation Ltd. ("Bumper") without notice to Eagle Energy Inc. ("Eagle Energy").

Should Alvarez & Marsal Canada Inc., as Receiver, intend to dispose of any working interest of Bumper, or enter into an agreement that binds it to so dispose, please advise us of that by notice required under the JOA.

The Receiver must, by notice advise Eagle Energy of its intention to make a disposition whether that by sale, asset exchange, earning agreement, lease, sub-lease or otherwise.

Eagle Energy is entitled to 20 days within which to determine whether the disposition, in its reasonable belief, would likely to have material adverse effect on it. It is to be expected that the full 20 day period will be required.

Sincerely,

EAGLE ENERGY INC.

By: _____

Frank Cortese
Landman

APPENDIX B

March 9, 2016

Mr. Orest Konowalchuk
Alvarez & Marsal Canada Inc.
1110, 250 – 6th Avenue SW
Calgary, AB T2P 3H7

Calgary Head Office
Suite 1000, 250 – 5 Street SW
Calgary, Alberta T2P 0R4
Canada

www.aer.ca

Email: okonowalchuk@alvarezandmarsal.com

**Appointment of Receiver of the Assets of
Bumper Development Corporation Ltd. (0M13)**

Dear Sir:

The Alberta Energy Regulator (AER) confirms receipt of receipt of an order issued by the Court of Queen's Bench dated February 16, 2016 Alvarez & Marsal Canada Inc.(A&M) has been appointed as *Receiver* of the property of Bumper Development Corporation Ltd. (Licensee).

As you may know, the Licensee currently holds a number of AER approvals as defined under the *Responsible Energy Development Act*. "Licensee" is defined in both the *Oil and Gas Conservation Act* (OGCA) and *Pipeline Act* to include a trustee or receiver-manager of the property of a licensee. "Person Responsible" under both the Public Lands Act and the Environmental Protection and Enhancement Act is also defined to include a trustee or receiver-manager. The statutes noted above and case law confirm that the obligations of the Licensee to comply with both public safety and environmental standards imposed pursuant to statutory authority must be honoured by the Receiver.

Please note, the AER has a statutory mandate to regulate the oil and gas industry in Alberta, which includes enforcement of the Acts, Regulations and Rules that it administers. As such, we advise that notwithstanding the receivership, the Licensee remains obligated under AER legislation to comply with and fulfill all regulatory requirements associated with the approvals, including all applicable regulations, rules and AER directives. These include responsibility for care and custody of all AER licensed wells, pipelines and related facilities, including, but not limited to, emergency and incident response and obligations relating to the Alberta One-Call system, and fulfilment of all applicable end of life obligations in relation to all AER licensed wells, pipelines and related facilities. This may include a requirement to suspend, abandon and reclaim certain of the Licensee's AER licensed properties or post security for those obligations as per AER requirements.

The AER takes the position that A&M is legally and statutorily obligated to fulfill these obligations, and must do so prior to distributing any funds or finalizing any proposal to creditors, secured or otherwise. The AER is of the view that the current law in Alberta supports this position.

While the AER is prepared to work with A&M to facilitate administration of the Licensee's AER licensed assets, please note that any agreements made by A&M with third parties to transfer ownership of AER licensed wells, pipelines or related facilities do not effect the transfer of the associated AER licences. Transfer of AER licences requires application to and approval by the AER.. For the transfer of a well, facility or pipeline, when the application for transfer is made, both the transferor's and transferee's ability to fulfil all applicable regulatory obligations then determines whether to approve the transfer of applicable licences and approvals in accordance with the factors set out in *Directive 006: Licensee Liability Rating (LLR) Program and Licence Transfer Process*.

Please provide the following to the undersigned by **March 15, 2016**:

Written confirmation that the Receiver has taken possession of AER licensed properties, is providing care and custody of the properties and is taking steps to ensure compliance with the Licensee's responsibilities and obligations under AER requirements. If A&M intends to operate Licensee's properties, it must provide confirmation that it maintains adequate insurance, as per *Directive 067: Applying for Approval to Hold AER Licences*.

Or, the Receiver has not assumed care and custody and the Licensee retains care and custody of its licensed properties.

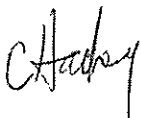
Also, we attach a list of AER energy resource enactment approvals held by the Licensee as per the AER's current records. Please note that this list does not include any approvals that may be held by the Licensee under the specified enactments, where applicable, those will be provided by way of a subsequent letter. Please provide any corrections to the attached list of AER approvals held by the Licensee, including licence number, surface location, and all working interest participants including full corporate names, contact information, and working interest percentage(s) for each licence no later than **April 15, 2016**.

Also, we hereby request that the *Receiver* and/or its counsel provide advance notice to the AER of all future applications to the court in connection with this matter.

Please note that failure to provide the information requested above by the dates noted may result in enforcement action by the AER.

Please direct questions to the undersigned by e-mail at Carole.Hachey@aer.ca or by telephone at 403-297-8448.

Regards,



Carole Hachey, Compliance Officer
Liability Management, Closure and Liability

inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

cc. Patricia M. Johnston, Q.C., AER Law Branch (via E-Mail)
Keely Cameron, AER Law Branch (Via E-Mail)
Jan Rempel, Acting Manager, Liability Management (via E-Mail)

SCHEDULE A

inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

BUMPER DEVELOPMENT CORPORATION LTD.

LIST OF LICENCES

WELL LICENCES

Licence No.	Surface Location	Working Interest Participant(s)	Percent Interest
W 0021048	16-34-031-24W4	Bumper Development Corporation Ltd.	100
W 0021302	16-27-031-24W4	Bumper Development Corporation Ltd.	100
W 0021374	14-32-031-24W4	Bumper Development Corporation Ltd.	100
W 0021634	06-22-031-24W4	Bumper Development Corporation Ltd.	50
		Pengrowth Energy Corporation	50
W 0022247	14-15-031-24W4	Bumper Development Corporation Ltd.	100
W 0046642	06-29-031-24W4	Bumper Development Corporation Ltd.	100
W 0046676	06-20-031-24W4	Bumper Development Corporation Ltd.	100
W 0046972	16-29-031-24W4	Bumper Development Corporation Ltd.	100
W 0046973	16-20-031-24W4	Bumper Development Corporation Ltd.	100
W 0047326	16-18-031-24W4	Bumper Development Corporation Ltd.	100
W 0047604	06-15-031-24W4	Bumper Development Corporation Ltd.	100
W 0048136	06-18-031-24W4	Bumper Development Corporation Ltd.	50
		Eagle Energy Partners, ULC	50
W 0048693	06-32-031-24W4	Bumper Development Corporation Ltd.	100
W 0055833	14-29-031-24W4	Bumper Development Corporation Ltd.	100
W 0055834	08-29-031-24W4	Bumper Development Corporation Ltd.	100
W 0056056	14-20-031-24W4	Bumper Development Corporation Ltd.	100
W 0056539	01-20-031-24W4	Bumper Development Corporation Ltd.	100
W 0057373	14-17-031-24W4	Bumper Development Corporation Ltd.	100
W 0062010	08-32-031-24W4	Bumper Development Corporation Ltd.	100
W 0095876	10-07-032-24W4	Bumper Development Corporation Ltd.	100
W 0136333	03-05-081-05W6		
W 0182481	05-20-031-24W4	Bumper Development Corporation Ltd.	100
W 0182981	04-29-031-24W4	Bumper Development Corporation Ltd.	50
		Eagle Energy Partners, ULC	50
W 0183795	03-29-031-24W4	Bumper Development Corporation Ltd.	100
W 0184442	12-29-031-24W4	Bumper Development Corporation Ltd.	100

W 0369168	05-10-008-10W4	Palliser Oil & Gas Corporation	12
		Bumper Development Corporation Ltd.	32.5
		Chinook Energy Inc.	55.5
W 0456926	01-31-031-24W4	Bumper Development Corporation Ltd.	25
		Coda Petroleum Inc.	75
W 0467307	09-18-031-24W4	Bumper Development Corporation Ltd.	50
		Coda Petroleum Inc.	50

inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

FACILITY LICENCES

Licence No.	Surface Location	Working Interest Participant(s)	Percent Interest
F 4252	00/14-15-031-24W4	Bumper Development Corporation Ltd.	100
F 4253	00/06-18-031-24W4	Bumper Development Corporation Ltd.	100
F 4254	00/16-20-031-24W4	Bumper Development Corporation Ltd.	100
F 4259	00/16-27-031-24W4	Bumper Development Corporation Ltd.	100
F 4260	00/06-29-031-24W4	Bumper Development Corporation Ltd.	100
F 4261	00/16-29-031-24W4	Bumper Development Corporation Ltd.	100

PIPELINE LICENCES

Licence No.	From Location	To Location	Line Number
P 12610	14-15-031-24W4	15-20-031-24W4	1
	16-29-031-24W4	15-20-031-24W4	2
P 12642	08-27-031-24W4	16-27-031-24W4	3
P 14752	06-22-031-24W4	14-15-031-24W4	1
P 14942	16-29-031-24W4	16-29-031-24W4	1
	06-32-031-24W4	16-29-031-24W4	2
	08-32-031-24W4	16-29-031-24W4	3
	14-32-031-24W4	08-32-031-24W4	4
	08-32-031-24W4	16-29-031-24W4	5
P 29433	03-29-031-24W4	15-20-031-24W4	1
P 39159	04-29-031-24W4	03-29-031-24W4	1
	03-29-031-24W4	15-20-031-24W4	2
P 50981	16-28-052-18W4	10-29-052-18W4	1
P 55423	16-34-031-24W4	16-27-031-24W4	1

P 55438	01-31-031-24W4	16-29-031-24W4	1
P 56654	09-18-031-24W4	16-18-031-24W4	1
P 9079	06-15-031-24W4	14-15-031-24W4	1
	06-20-031-24W4	15-20-031-24W4	6
	16-18-031-24W4	06-20-031-24W4	7
	14-17-031-24W4	01-20-031-24W4	8
	14-20-031-24W4	15-20-031-24W4	11
	01-20-031-24W4	15-20-031-24W4	12
	14-29-031-24W4	16-29-031-24W4	15
	08-29-031-24W4	16-29-031-24W4	16
	12-29-031-24W4	16-29-031-24W4	17
	01-20-031-24W4	15-20-031-24W4	25
	06-29-031-24W4	03-29-031-24W4	26
P 9763	16-27-031-24W4	16-20-031-24W4	1
P 9825	16-20-031-24W4	03-28-031-24W4	1
	03-28-031-24W4	04-33-031-23W4	2

inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

SCHEDULE B

inquiries 1-855-297-8311
24-hour
emergency 1-800-222-6514

BUMPER DEVELOPMENT CORPORATION LTD.

LIST OF ABANDONED, NOT RECLAIMED LICENCES

WELL LICENCES

Licence No.	Surface Location	Working Interest Participant(s)	Percent Interest
W 0062040	08-27-031-24W4	Bumper Development Corporation Ltd.	100
W 0126793	09-01-053-18W4	Bumper Development Corporation Ltd.	100
W 0289072	10-25-033-28W4	Bumper Development Corporation Ltd.	100
W 0321325	04-25-032-27W4	Bumper Development Corporation Ltd.	100
W 0335268	16-28-052-18W4	Bumper Development Corporation Ltd.	100

FACILITY LICENCES

Licence No.	Location	Working Interest Participant(s)	Percent Interest
F 9768	00/08-13-045-07W5	TAURUS EXPLORATION CANADA LTD.	1.04
		CANADIAN HUNTER EXPLORATION LTD.	2.81
		CREDENCE RESOURCES INC.	3.28
		MORENA RESOURCES INC.	4.38
		EUROGAS CORPORATION	6.56
		MEOTA RESOURCES CORP.	10.94
		PETRO CAN OIL & GAS CORPORATION LTD	12.5
		BUMPER DEVELOPMENT CORPORATION LTD.	25.16
		MURPHY OIL COMPANY LTD.	33.33

PIPELINE LICENCES

Licence No.	From Location	To Location	Line Number
P 9655	06-20-031-24W4	05-20-031-24W4	3
	15-20-031-24W4	06-20-031-24W4	2
	16-20-031-24W4	06-18-031-24W4	1

inquiries 1-855-297-8311
 24-hour
 emergency 1-800-222-6514

March 9, 2016

Calgary Head Office
Suite 1000, 250 – 5 Street SW
Calgary, Alberta T2P 0R4
Canada

Orest M. P. Konowalchuk
Alvarez & Marsal Canada Inc.
Suite 570, 202-6 th Ave SW
Calgary AB T2P 2R9

www.aer.ca

Dear Sir/Madam:

FORMAL REQUEST FOR NOTICE OF APPOINTMENT APPLICATIONS

The Alberta Energy Regulator (AER) has a statutory mandate to regulate the oil and gas industry in Alberta, which includes enforcement of the Acts, Regulations and Rules that it administers. Pursuant to AER legislation, upon appointment over the estate of a company regulated by the AER you may assume certain obligations under the AER's legislation. Given the regulatory implications, the AER requests notice of any application, including the application for your appointment over the estate of a company regulated by the AER. Where you are unsure if the entity is regulated by the AER we would be happy to assist you.

As you may know, "licensee" is defined in both the *Oil and Gas Conservation Act* and *Pipeline Act* to include a trustee or receiver-manager. "Person Responsible" under both the *Public Lands Act* and the *Environmental Protection and Enhancement Act* is also defined to include a trustee or receiver-manager. Licensees and persons responsible have obligations under the AER's legislation.

The AER is confident that our early engagement on insolvency matters will assist in fostering a cooperative relationship throughout the insolvency process and assist in the facilitation of transfers of AER approvals, as defined under the *Responsible Energy Development Act*. As you are aware, transfers of AER approvals requires an application to and approval by the AER. The AER thanks you for your assistance in this regard.

Notice may be effected via email to the following at LiabilityManagement@aer.ca and keely.cameron@aer.ca.

Regards,



Keely Cameron
Legal Counsel



March 18, 2016

Carole Hachey
Compliance Officer, Liability Management
Alberta Energy Regulator
Head Office
Suite 1000, 250-5th Street SW
Calgary AB T2P OR4

Dear Ms. Hachey:

**Re: In the Matter of the Receivership of Bumper Development Corporation Ltd.
("Bumper")**

We are in receipt of your letter dated March 9, 2016 (the "**March 9th AER Letter**") to Alvarez and Marsal Canada Inc. in its capacity as court-appointed Receiver of Bumper ("**Receiver**") and confirms that the AER has received a copy of the Receivership Order of Justice D.B. Nixon granted on February 16, 2016 (the "**Receivership Order**").

The Receiver relies on and is administering the receivership, as an officer of the court, in accordance with the protections, rights and priorities prescribed by the Receivership Order. Without limitation, the Receiver notes it specifically relies on the following provisions in the Receivership Order in connection with the Receiver's ongoing administration of the estate:

- A. Paragraph 3 empowers, but does not obligate, the Receiver to take possession of any of Bumper's current and future assets, undertakings and properties of every nature and kind whatsoever, wherever situate including the proceeds derived therefrom (the "**Property**");
- B. Paragraph 16 of the Receivership Order contains a limitation on the Receiver's liability. In particular, save in circumstances where the Receiver is guilty of gross negligence or wilful misconduct the Receiver shall incur no liability or obligation that exceeds an amount for which the Receiver may obtain full indemnity from the Property;
- C. Paragraph 17 of the Receivership Order grants a charge (the "**Receiver's Charge**") to the Receiver and its counsel in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, to secure payment of the Receiver and its counsel's reasonable fees and disbursements subject only to the other charges set out therein; and
- D. Paragraph 20 of the Receivership Order permits the Receiver to borrow by way of a revolving credit or otherwise, monies in the principal amount of up to \$500,000.00. The whole of the Property is charged (the "**Receiver's Borrowing Charge**") by way of a fixed and specific charge of security for any monies borrowed by the Receiver in priority

to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise subordinate only to the Receiver's Charge and the other charges set out therein.

The Receiver, as officer of the court, derives its authority and takes the direction from the court and orders issued by it including (the Receivership Order) and will continue to rely on the protections afforded to it by the Receivership Order and the relative priorities afforded to the Receiver's Charge and Receiver's Borrowing Charge.

In specific response to the queries raised in the March 9th AER Letter, we advise as follows:

1. In accordance with the Receivership Order, the Receiver has taken possession of Bumper's AER licenced properties listed in the attached Schedule "A" and "B" of the March 9th AER Letter (the "**Possession Properties**").
2. As per the March 9th AER Letter, the Receiver confirms that Bumper is the Licensee. The Receiver is an officer of the court, and acts solely in its capacity as the court-appointed Receiver of the Licensee (Bumper) and not in its personal capacity. In such capacity, the Receiver confirms that it is providing care and custody of the Possession Properties and is taking steps to ensure compliance with Bumper's responsibilities and obligations under AER requirements. The Receiver confirms that it maintains adequate insurance over the Possession Properties.
3. The receiver confirms that the list of energy resource enactment approvals held by Bumper which was attached to the March 9th AER Letter (Schedule "A" and Schedule "B") appear to be accurate, with the exception of the correction set out below:
 - (i) Facility License #: 9768
 - Bumper was not able to register the assignment of the 00/08-13-045-07W5 Facility (License No. F9768) to Tamarack Acquisition Corp. (April 2015 sale by Bumper to Tamarack) since the facility has a cancelled status. This was confirmed by the AER on March 18, 2016 that the site does not exist. As a result, the F9768 facility listed in Schedule B to the March 9th AER Letter should be removed.
4. The Receiver confirms that it has added the AER to the service list in this matter and, as such, the AER will be provided with notice of all future court applications to be held in this matter.

The Receiver is aware of the AER's position as articulated in the March 9th AER Letter relative to the transfer of licenses The Receiver is currently reviewing offers for the purchase of Bumper' oil and gas assets that would involve the purchase and transfer of all of Bumper's licensed wells, facilities and pipelines to a qualified licensee Company. Once a sale transaction is entered into in respect of the Possession Properties, the Receiver is hopeful that the AER will



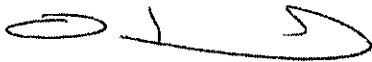
engage in dialogue with the Receiver as to the basis upon which licence transfers can be undertaken

The Receiver confirms that it will not distribute any funds received from the disposition of the Possession Properties to any creditors other than beneficiaries of the Receiver's Charge, Receiver's Borrowing Charge or any federal statutory charge ranking in priority thereto without a court order obtained on prior notice to AER.

In conclusion, the Receiver reiterates that it will continue to administer the receivership estate in accordance with the direction of the court as presently manifest in Receivership Order. The Receiver is mindful of the potential for conflict as between Bumper's creditors and the AER. It is the Receiver's desire that the stakeholders attempt to work together to find consensual resolution to the issues that may arise and, to this end, welcomes the opportunity to engage in further discussion with the AER as it pertains to the administration of the Bumper receivership at any time.

Yours very truly,

**Alvarez & Marsal Canada Inc. in its capacity as
the Court Appointed Receiver of Bumper Development Corporation Ltd.
and Bumper Development Corporation**



Orest Konowalchuk
Vice President

cc. Fasken Martineau LLP (Mr. Travis Lysak)



CONFIDENTIAL

APPENDIX C

CONFIDENTIAL

APPENDIX D